

1.Executive Summary

Sahakol continues its operation in 3 mining projects, Mae Moh 7, Mae Moh 8 and Hongsa. In Q3/2019, the Company registered a net loss of 266 million baht, a decline from the previous quarter from net profit of 58 million baht. The net loss was due to (1) Unplanned difficulties in managing machineries and equipment during the rainy season in Q3/2019 resulting in production decline in both Mae Moh 7 and 8 projects by approximately 30%. However, the Company has taken immediate action in resolving the issues; (2) a decline in gross profits of the Hongsa project was due to a reduction in belt operating hours by the employer in the rainy season; (3) Costs such as depreciation, administrative expenses and financial costs remain unchanged. Moreover the 2,265 million baht Operating and Maintenance (O&M) conveyor project in Hongsa is currently in the process of preparing machineries and equipment with revenue recognition planned starting from January 2020 as originally scheduled.

In terms of the progress of Mai Khot Coal Mine Project, Sahakol has registered a joint venture with a local counterpart in Myanmar under the name “Mai Khot Energy Limited”, where Sahakol is the major shareholder in the proportion of 70:30 and the JV company holds the entire concession rights. The next phase involves preparation of an environmental management plan and local engagement to provide accurate information to the local communities in the project vicinity prior to commencement of commercial mining activities. Simultaneously, a detailed plan to survey chemical characteristics and the amount of coal reserve required in the area will be undertaken along with the possibility to invest in future energy projects.

2. Financial Performance

Unit : M THB	Q2/2019	Q3/2019	Q3/2018	% Gain (Loss) QoQ	% Gain (Loss) YoY	9M/2018	9M/2019	% Gain (Loss) YTD
Total revenues	1,202	891	787	(26%)	13%	2,443	3,340	37%
Cost of Services (Include Depreciation ¹)	946	997	866	5%	15%	2,458	2,919	19%
¹ Depreciation	293	292	274	(1%)	7%	724	876	21%
Gross Profit (After Depreciation)	256	(106)	(79)	(141%)	(34%)	(15)	421	2,924%
Administrative expenses	91	96	87	5%	10%	227	268	18%
EBITDA	465	98	115	(79%)	(14%)	499	1,050	110%
Financial cost	98	94	84	(4%)	11%	182	294	62%
Net Profit	58	(266)	(199)	(557%)	(34%)	(295)	(116)	61%
EBITDA margin (%)	39%	11%	15%	(28%)	(4%)	20%	31%	11%
Gross Profit Margin (%)	21%	(12%)	(10%)	(33%)	(2%)	(1%)	13%	13%
Net Profit Margin (%)	5%	(30%)	(25%)	(35%)	(5%)	(12%)	(3%)	9%

Financial position for Q3/2019 compared with Q2/2019 (QoQ)

In Q3/2019 Sahakol's revenue totalled 891 million baht, which decreased by 311 million baht or 26% when compared with Q2/2019. The decrease was primarily due to:

- Reduced capacity of Mae Moh 7 project due to rainfall and site management difficulties, increase rental costs of auxiliary equipment, and more sections of the conveyor system that deteriorated than initially expected. However, the Company has taken immediate action by replacing sections of the conveyor where needed. Operational capacity of the conveyor system is expected to resume in Q4/2019;
- Efficiency of Mae Moh 8 also declined due to site management difficulties and inability to collaborate among the different sections of the operating system during the rainy season. However, the company has restructured operational management to solve problems in this quarter.

At the same time, some significant operating overheads were maintained as follows:

- Financial costs decreased by 4 million baht from repayment of short- and long-term loan in line with plans to reduce financial costs.
- Depreciation decreased by 1 million baht.

As a result, Sahakol has Q3/2019 net loss of 266 million baht compared to Q2/2019 which saw a profit of 58 million baht, totalling 325 million baht. Net loss in the current quarter therefore declined by 557%

Financial position for third quarter 2019 compared with third quarter 2018 (YoY)

Revenue for Q3/2019 totalled 891 million baht or an increase of 104 million baht. When compared to the same period in the previous year (Q3/2018), this is equivalent to a 13% increase. The revenue growth was due to an increase in production from Mae Moh 8 conveyor system.

However, cost of services increased primarily from:

- Unplanned costs of fuel and rental of machineries during the rainy season;
- An increase in financial costs by 10 million baht from a long-term loan drawdown in 2018 to cover costs of machineries and equipment for Mae Moh 8;
- The full recognition of depreciation costs of Mae Moh 8 resulted in an increase in depreciation costs by 18 million baht

As a result, Sahakol has a Q3/2019 net loss of 266 million baht, an increase in net loss compared to Q3/2018 which registered a net loss of 199 million baht.

3. Operation Result by Project

Unit : M THB	Q2/2019	Q3/2019	Q3/2018	% Gain (Loss) QoQ	% Gain (Loss) YoY	9M/2018	9M/2019	% Gain (Loss) YTD
Mae Moh 7								
Service Revenue	246	150	149	(39%)	1%	660	657	(0%)
Cost of Services (Include Depreciation ¹)	228	281	274	23%	2%	756	776	3%
¹ Depreciation	62	61	84	(1%)	(27%)	250	186	(25%)
Gross Profit	18	(131)	(126)	(849%)	(4%)	(96)	(119)	(24%)
Gross Profit (%)	7%	(87%)	(85%)	(95%)	(3%)	(15%)	(18%)	(4%)
Hongsa								
Service Revenue	266	235	201	(12%)	17%	681	798	17%
Cost of Services (Include Depreciation ¹)	217	219	184	1%	19%	559	637	14%
¹ Depreciation	57	58	53	1%	9%	153	171	12%
Gross Profit	49	16	16	(68%)	(3%)	122	162	32%
Gross Profit (%)	18%	7%	8%	(12%)	(1%)	18%	20%	2%
Mae Moh 8								
Service Revenue	665	475	427	(29%)	11%	1,065	1,813	70%
Cost of Services (Include Depreciation ¹)	500	493	405	(1%)	22%	1,140	1,499	32%
¹ Depreciation	173	172	136	(1%)	27%	321	515	61%
Gross Profit	165	-18	22	(111%)	182%	(75)	314	518%
Gross Profit (%)	25%	(4%)	5%	(29%)	(9%)	(7%)	17%	24%

Mae Moh 7

For Q3/2019, Mae Moh 7 project reported gross loss of 131 million baht compared to Q2/2019 gross profit of 18 million baht. The loss is associated with difficulties in operation during the rainy season and various other factors as follows:

- More deterioration was discovered on the conveyor system than initially expected, resulting in the need to halt operations and make necessary belt replacement (the issues have been resolved as of end Q3/3019), resulting in decreased operating hours;
- The rental cost of auxiliary equipment increased due to a need to adjust site conditions during the rainy season to enable trucks to operate additional hours in compensation for the halt in conveyor system.

In comparing performance of Q3/2019 to Q3/2018, net loss increased by 5 million baht primarily due to the deterioration of the conveyor system resulting in a halt in the system for replacement and improvements. This interruption meant additional hours of truck operations to offset the halt in the conveyor system .

Hongsa

For Q3/2019, Hongsa project reported gross profit of 13 million baht, a decrease of 33 million baht or 68% when compared to gross profit of 49 million baht in Q2/2019. This primarily resulted from reduced operating hours by the contracted conveyor system during the rainy season and thus lower revenues. At the same time, depreciation and administrative costs remained constant.

In comparing Q3/2019 to Q3/2018, Hongsa project reported a stable gross profit of 16 million baht.

Mae Moh 8

In Q3/2019, Mae Moh 8 project reported gross loss of 18 million baht, a decline by 111% when compared to the previous quarter. The reasons for the loss include:

- The decline in utilization rate of the conveyor system to 66% from 90% in the previous quarter due to 200 hours of rain, resulting in reduced operating hours, coupled with unexpected challenges in handling equipment during the rainy months. However, the company has restructured operational management to solve problems in this quarter.
- An increase in auxiliary equipment rental for adjusting site conditions during rainy season to enable an operation of trucks to compensate the hours when the conveyor system was not in operation

In comparing Q3/2019 to the same quarter in the previous year (Q3/2018), Mae Moh 8 reported gross profit decline by 39 million baht, from gross profit of 22 million baht in Q3/2018 due to:

- Increase in auxiliary equipment rental to adjust site conditions
- Increase in depreciation cost of 37 million baht or 27% due to full instalment and operation of equipment and operating system in the end of year 2018

4. Summary of Financial Position

Balance Sheet Position

As of 30 September 2019, total assets stood at 11,707.6 million baht, registering a decrease by 879.2 million baht or 7.3% from 11,986.8 million baht as of 31 December 2018. The total asset comprises of total current assets amounting to 1,874.5 million baht which decreased by 429.2 million baht. Total non-current assets as of 30 September 2019 was at 9,233.1 million baht, which is a decrease by 450 million baht from depreciation of equipment and purchase of new machineries to support current capacity.

Total liabilities as of 30 September 2019 totaled 9,033 million baht, which is decline by 787.7 million baht or 8% from total liabilities of 9,820.7 million baht as of 31 December 2018. Total current liabilities stood at 3,408.3 million baht, a registered decrease of 806.2 million baht. Total non-current liabilities stood at 5,624.7 million baht or an increase by 18.6 million baht. Although the company issued debentures in the amount of 700 million baht, but payables for hire purchase of assets significantly decreased as well.

Shareholder's equity as of 30 September 2019 amounted to 2,074.6 million baht, a decrease by 91.5 million baht or 4.2% which resulted from a net loss in the 9 months of operation in 2019.

Statement of Cash Flows

As of 30 September 2019, cash and cash equivalents stood at 369.6 million baht, an increase of 46.2 million baht or 14.3% compared to cash and cash equivalents of 323.4 million baht since 31 December 2018.

Cash flows from operating activities was 784.1 million baht from operating profit and from the change in trade payable and other payable in accordance with payment terms.

Cash flows from investing activities decreased 342.3 million baht from last year, mainly due to asset acquisition according to the project investment plan and paid for exploration and development costs of new projects.

Cash flows from financing activities was (395.4) million baht, the decrease was mainly due to repayment of long term loans, paid up of financial lease payable and earnings from issuance of debentures in the amount of 694.7 million baht.

Financial Cost

Financial cost for Q3/2019 and Q3/2018 total 93.9 million baht and 84.4 million baht respectively. This is an increase of 11.2% from the loan drawdown of 2018 for Mae Moh 8 in accordance with plans for investments in main machineries together with obligations for the issued debenture of 700 million baht in Q2/2019.

5. Key Financial Ratios

Profitability Performance	2018	3M/2019	6M/2019	9M/2019
Gross Profit (After Depreciation) (Percent)	3.41	21.30	20.17	11.37
EBITDA (Percent)	25.33	39.30	39.21	31.89
EBIT (Percent)	-3.71	15.24	13.90	4.63
Net (Loss) Profit (Percent)	-7.85	7.41	4.85	-3.46

Company Performance	2018	*3M/2019	*6M/2019	*9M/2019
Return on Assets (Percent)	-2.56	-1.30	-1.12	-0.91
Return on Fix Assets (Percent)	5.86	10.10	11.22	11.73
Return on Equity (Percent)	-12.00	-6.95	-5.69	-4.98

Debt Performance	2018	3M/2019	6M/2019	9M/2019
Debt to Equity ratio (times)	4.53x	4.19x	4.00x	4.42x
Interest Bearing Debt to Equity ratio (times)	3.68x	3.43x	3.59x	3.88x

Remark *Key financial ratios as of 30 September 2019 was calculated based on last 12 months.

6. Future Company Outlook

Based on Sahakol's performance in Q3/2019, the company is faced with a net loss. Sahakol will look into immediate measures to increase production and bring operational costs down to appropriate levels.

In terms of progress of Mai Khot Coal Mine Project, Sahakol has signed a memorandum of understanding with Golden Lake Co. Ltd. (GL) on 11 July 2019 to jointly develop the Mai Khot Coal mine in Shan State, the Republic of the Union of Myanmar. Sahakol has also completed registration of a joint venture with the local counterpart where Sahakol is the main shareholder in the proportion of 70:30 under the name Mai Khot Energy Limited.

The O&M conveyor system (Operation and Maintenance Agreement) in Hongsa valued at 2,265 million baht is currently under the preparatory stage where machineries are being equipped to commence work. Revenue realization is set to begin in January 2020 as initially scheduled.